

STATE OF NEW HAMPSHIRE
INTER-DEPARTMENT COMMUNICATION

DATE: February 4, 2020

FROM: William J. Oldenburg, PE **AT (OFFICE):** Executive Office
Asst. Director of Project Development

**SUBJECT: Recommendation on Escalation Rate
For Consultant Services Contracts**

TO: William J. Cass, PE **THRU:** Peter E. Stamnas, PE
Assistant Commissioner Director of Project Development

Approved: WJC Date: 2-10-2020
Routed and approved in MTS: DPD-BHD-02-2020-02

MEMORANDUM

This memo requests approval that the 2020 annual Escalation Rate be set at 2.25%.

The Consultant Committee discussed the recommended annual Escalation Rate to be used for determining the mean average salary rate used for fee calculations on 2020 standalone contracts. At the recommendation of the Consultant Committee, this escalation rate is established each year by the Assistant Commissioner, and is used to offset some of the consultant’s risk involved in determining a fixed salary rate for each classification during fee negotiations of standalone agreements. The escalation factor is intended to take into account changes in employee salaries over the life of the contract so the salaries used in the fee negotiations more accurately estimate the actual salaries over the life of the contract. The escalation factor for 2019 was set at 2.75%, but had been 3% for the previous several years.

The Consultant Committee received information from the Department’s Internal Audit Office on the annual contract adjustment rate calculation. Using the escalation rate calculation procedure approved in 2019 the Committee determined the “Employment Cost Index - Professional, Scientific, and Technical Services” industry for the 12-month periods ending on September 30th of 2019 was 2.40%.

The Committee recommends approval that the 2020 annual escalation rate be set at 2.25%. This percentage is rounded to the next lowest ¼ percent.

cc: Consultant Committee
Internal Audit Office